

Message Text

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TAGS: EEC, EIND, EGEN, ETRD
SUBJECT: STRUCTURAL ASPECTS OF GROWTH DISCUSSION AT
BREMEN SUMMIT : JULY 6-7.

1. SUMMARY: THE EUROPEAN COMMISSION HAS PREPARED A PAPER ON STRUCTURAL ASPECTS OF GROWTH WHICH WILL BE BASE OF DISCUSSIONS ON THIS TOPIC AT THE BREMEN SUMMIT. PAPER PROVIDES AN OVERVIEW OF THE STRUCTURAL ASPECTS OF CURRENT ECONOMIC PROBLEMS IN THE EC AND ARGUES FOR A COMMUNITY ROLE IN GENERAL MEASURES TO IMPROVE THE ECONOMIC CLIMATE FOR INDUSTRY, AID TO SMALL AND MEDIUM-SIZED INDUSTRY, PROMOTING INNOVATION THROUGH RESEARCH, IMPROVING EXTERNAL DEMAND, TRAINING AND EDUCATION, AND MORE ECONOMIC INFORMATION. THE COMMISSION DOCUMENT STATES THAT ECONOMIC AND MONETARY UNION IS URGENT AND NECESSARY. WITH REGARD TO SPECIFIC SECTORS, THE PAPER CALLS FOR PUBLIC SUPPORT OF HIGH TECHNOLOGY INDUSTRIES AND A POLITICAL LEVEL DEBATE ON THE DESIRABILITY OF A LONG-TERM TECHNOLOGY PROGRAM. END
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SUMMARY.

2. MISSION HAS OBTAINED FROM DAVIGNON'S CABINET A PAPER ON GROWTH AND INDUSTRIAL POLICY TO BE GIVEN TO EC HEADS OF GOVERNMENT AT THE BREMEN SUMMIT. COMMISSION SOURCES SAY THEY HOPE THE BREMEN SUMMIT COMMUNIQUE WILL CONTAIN A SECTION ENDORSING COMMUNITY EFFORTS TO IMPLEMENT SOME OR

ALL OF THE IDEAS IN THE PAPER. SUMMARY OF PAPER FOLLOWS:

3. THE PRESENT SITUATION IS CHARACTERIZED BY A NUMBER OF STRUCTURAL WEAKNESSES THAT EARLIER HAD BEEN MASKED BY STEADY AND UNPRECEDENTED GROWTH IN DEMAND. IN ADDITION THE COMPETITIVE POSITION OF EC INDUSTRIES HAS BEEN UNDERMINED BY RISING RAW MATERIAL COSTS AND SHARPER INCREASES IN UNIT PRODUCTION COSTS THAN ELSEWHERE.

4. INDUSTRY MUST NOW NOT ONLY RECTIFY STRUCTURAL SHORT-COMINGS AND COPE WITH CYCLICAL DIFFICULTIES BUT ALSO ADAPT TO A NEW INTERNATIONAL DIVISION OF LABOR. LABOR-INTENSIVE AND EVEN CAPITAL-INTENSIVE INDUSTRIES HAVE BURGEONED IN REGIONS OUTSIDE THE THREE LEADING INDUSTRIAL POWERS. FOR THE EC TO ACCEPT THIS DEVELOPMENT AND REMAIN OUTWARD-LOOKING, IT NEEDS A POLICY OF ADJUSTMENT WHEREBY FIRMS IN INDUSTRIES IN DIFFICULTY MUST BE IMPROVED SO AS TO MAINTAIN THE WIDEST RANGE OF ECONOMIC ACTIVITY AND INNOVATION MUST BE ENCOURAGED.

5. IT IS PRIMARILY THE ROLE OF THE FIRM TO MEET THESE CHALLENGES POSED BY THE CHANGES IN EUROPEAN INDUSTRY. PUBLIC AUTHORITIES CANNOT DIRECT OR ENSURE GROWTH. TO DO SO WOULD RISK ENCOURAGING COSTLY AND MISTAKEN INVESTMENT. MOREOVER, EVEN WITHIN SECTORS IN DIFFICULTIES, THERE ARE USUALLY EXPANDING AND COMPETITIVE FIRMS.
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6. THE CHANGES IN INDUSTRY MAKE IT MORE LIKELY THAT IN THE FUTURE THE SERVICES SECTOR WILL BE RESPONSIBLE FOR MOST NEW JOBS, AS INDUSTRY MEETS ITS CHALLENGES BY MAKING GREATER USE OF MODERN TECHNIQUES AND EQUIPMENT. IT IS IMPORTANT THEREFORE THAT THE PERFORMANCE OF THE INDUSTRIAL SECTOR BE SUFFICIENT TO PROVIDE GROWTH FOR THE TERTIARY SECTOR.

7. THE COMMUNITY HAS NOT YET BEEN ABLE TO MOBILIZE THE RESOURCES NECESSARY TO FACILITATE ADJUSTMENT TO THESE CHANGES, ALTHOUGH IN THE US AND JAPAN OFFICIAL POLICIES PLAY A KEY ROLE IN FOSTERING THE CLIMATE NEEDED FOR GROWTH. WHILE MEMBER STATES HAVE AND MUST INFLUENCE THE CLIMATE AT THE NATIONAL LEVEL, MANY OF THE INVESTMENTS OR MARKETS NEEDED ARE ON A COMMUNITY SCALE. ALTHOUGH SUBSTANTIAL PROGRESS HAS BEEN MADE IN THE ESTABLISHMENT OF A COMMON MARKET, FURTHER STEPS ARE URGENT ON ECONOMIC AND MONETARY UNION, ELIMINATION OF BARRIERS WHICH DISTORT PRODUCTION OR TRADE FLOWS AND FISCAL HARMONIZATION. THE COUNCIL SHOULD TAKE THE POLITICAL DECISIONS NECESSARY TO IMPLEMENT THE COMMISSION'S FIVE-YEAR PROGRAM FOR GREATER MONETARY

STABILITY.

8. IN THE SEARCH FOR WAYS TO RATIONALIZE AND LIBERALIZE THE EC MARKET MILITARY EQUIPMENT CANNOT BE DISREGARDED FROM AN INDUSTRIAL POINT OF VIEW. MEMBER STATES SHOULD SEEK CLOSER COOPERATION WHENEVER CIRCUMSTANCES PERMIT.

9. EXTERNAL TRADE SHOULD CONTINUE AS A SPUR TO PROGRESS IN THE EUROPEAN ECONOMY. THE COMMUNITY SHOULD PROMOTE

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DEVELOPMENT OF LDC'S IF THEIR POTENTIAL FOR SUPPLYING ADDITIONAL DEMAND IS TO BE REALIZED. THIS SHOULD BE DONE BY JOINT MEASURES WHOSE IMPLEMENTATION IS FAVORED BY SPECIAL LINKS BETWEEN THE EC AND THESE COUNTRIES.

10. MUCH CAN BE DONE TO IMPROVE THE OPERATING ENVIRONMENT OF SMALL AND MEDIUM-SIZED FIRMS -- A GROUP WHICH ACCOUNTS FOR TWO THIRDS OF THE EC INDUSTRIAL WORKING POPULATION. THEIR FLEXIBILITY AND INNOVATIVENESS IS A VALUABLE ELEMENT IN THE SEARCH FOR GREATER WORKER MOBILITY AND STRUCTURAL CHANGE. THE MOST IMPORTANT FIRST STEP IN THIS AREA INVOLVE THE PROBLEM OF FINANCING SME'S AND IN PARTICULAR RISK CAPITAL.

11. INNOVATION REMAINS THE PRINCIPAL SOURCE OF GROWTH AND ALTHOUGH EUROPE HAS BEEN INVENTIVE IT HAS OFTEN FAILED TO

COMPLETE THE PROCESS SUCCESSFULLY AND RAPIDLY THROUGH ECONOMIC APPLICATION AND COMMERCIAL EXPLOITATION. THE COMMISSION IS STUDYING WAYS OF BETTER ESTIMATING THE ROLE LIMITED OFFICIAL USE

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INNOVATIVE PRODUCTS PLAY IN SPURRING GROWTH. ITS FOCUS WILL BE THE FISCAL AND PATENT ENVIRONMENTS, THE AVAILABILITY OF RISK CAPITAL AND THE PACKAGING OF MARKETING SYSTEMS FOR NEW PRODUCTS -- AN AREA WHERE SME'S MAY BE AT A DISADVANTAGE.

12. RESEARCH AND DEVELOPMENT IS CLOSELY RELATED TO INNOVATION, ESPECIALLY IN SECTORS WHERE TECHNOLOGY PLAYS THE MAIN PART AND WHICH SHOULD FORM A MAJOR PART OF THE EC INDUSTRIAL BASE, E.G. ELECTRONICS, DATA PROCESSING, AERONAUTICS.

13. THE COMMUNITY HAS A ROLE HERE TO COORDINATE UTILIZATION OF AVAILABLE RESOURCES. IF EACH MEMBER STATE TRIES TO BOOST DEVELOPMENT OF ADVANCED INDUSTRIES WITHOUT COORDINATION WITH OTHERS, GREAT HARM CAN BE DONE TO THE INDUSTRIES INVOLVED.

14. MOBILITY OF LABOR IS ESSENTIAL FOR GROWTH, BUT EXCESSES COULD WORSEN THE REGIONAL ECONOMIC IMBALANCES. THE REQUIREMENTS OF REDEPLOYMENT AND INNOVATION WILL BE MORE EASILY ACCEPTED IF THE SOCIAL CONSEQUENCES CAN BE MASTERED.

15. GENERAL MEASURES TO DEAL WITH STRUCTURAL CHANGE MUST INCLUDE MORE AND BETTER INFORMATION ON THE OPERATING ENVIRONMENT. IT IS IMPORTANT TO HAVE THIS INFORMATION ON A COMMUNITY LEVEL. THE COMMISSION IS WORKING TO DEVELOP THIS INFORMATION AS A HELP IN MAKING EX POST ASSESSMENTS AS WELL AS EARLY WARNINGS BASED ON KNOWN TRENDS.

SECTORAL MEASURES

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16. WHILE GENERAL MEASURES FOR IMPROVING THE ECONOMIC ENVIRONMENT FOR INNOVATION AND FOR R & D ARE NEEDED, IN SOME SECTORS THE PUBLIC AUTHORITIES MUST ASSUME A DIRECTLY STIMULATORY ROLE. THIS INTERVENTION SHOULD BE COMPATIBLE WITH A FREE MARKET ECONOMY AND NOT IN ITSELF PROVOKE DISTORTIONS OF COMPETITION BETWEEN MEMBER STATES. US AND

JAPANESE EXAMPLES OF SUPPORT MAY BE RELEVANT FOR SOME
ADVANCED SECTORS. A PRIMARY TARGET FOR ENCOURAGEMENT
SHOULD BE THE ELECTRONICS/DATA PROCESSING COMPLEX WHICH
WILL BE AS VITAL TO THE SECOND HALF OF THIS CENTURY AS
ELECTRICITY WAS IN THE FIRST HALF.

17. IMPLICATIONS OF THE DECISIONS TO BE TAKEN HERE ARE
SO FUNDAMENTAL THAT A COMMUNITY POLITICAL DEBATE ON THE
DESIRABILITY OF A LONG-TERM TECHNOLOGY PROGRAM IS BOTH
NECESSARY AND URGENT.

18. THE AIRCRAFT INDUSTRY IS ALSO CRUCIAL TO EUROPE'S
ECONOMIC FUTURE. A COMMUNITY CONTRIBUTION COULD INCLUDE

- PROVIDING A FRAMEWORK FOR EUROPEAN COOPERATION
- CREATING SPECIAL LEGAL ARRANGEMENTS SUCH AS AD HOC
JOINT VENTURES
- FINANCIAL CONTRIBUTIONS
- USE OF TRADE NEGOTIATING POWERS TO SUPPORT WORLD-
WIDE MARKETING OF EUROPEAN AIRCRAFT
- MATCHING SUPPORT AVAILABLE FROM COMPETITORS FOR
EXPORT FINANCING
- CREATING A LARGER MORE HOMOGENEOUS AIR TRANSPORT
MARKET.

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ENERGY

19. THE COMMUNITY MUST PREVENT ENERGY REQUIREMENTS FROM

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C O R R E C T E D C O P Y - FOR DISTRIBUTION

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IMPOSING TOO HEAVY A BALANCE OF PAYMENTS BURDEN BY CURBING
ENERGY CONSUMPTION WITHOUT RESTRICTING THE GROWTH POTENTIAL
OF THE ECONOMY BY DEVELOPING THE COMMUNITY'S DOMESTIC
ENERGY PRODUCTION, AND, IN THE LONGER TERM, DEVELOPING
NEW ENERGY SOURCES AND TECHNIQUES. THE COMMUNITY CAN HELP
DEFINE THESE AIMS, ASSIST IN THEIR REALIZATION, PROMOTE
COOPERATIVE EFFORTS, AND ASSURE THAT CONFLICTING OR DIS-
TORTING POLICIES ARE NOT DEVELOPED.

4. TEXT OF PAPER BEING SENT SEPARATELY. HINTON

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